

Senate Bill No. 1026

CHAPTER 939

An act to amend Sections 24413 and 24415 of, to add Sections 22951.5, 22954.5, 24416, and 24417 to, and to repeal Section 24411.5 of, the Education Code, relating to retirement, and making an appropriation therefor.

[Approved by Governor October 12, 1997. Filed
with Secretary of State October 12, 1997.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1026, Schiff. Teachers' retirement benefits.

The State Teachers' Retirement Law requires the annual transfer to the Supplemental Benefit Maintenance Account from the General Fund of 2.5% of the total of prior year salaries upon which member contributions to the retirement system are based for funding supplemental benefits. Existing law expresses legislative intent in establishing the Supplemental Benefit Maintenance Program, to manifest a contractually enforceable promise to fully repay the Teachers' Retirement Fund, with interest, for all the advances made therefrom and for any appropriation made in Item 1920-111-835 of the Budget Act of 1989 and otherwise reserves the right of the Legislature to reduce or terminate the state's contributions and supplemental benefit distributions.

This bill would require General Fund transfers for the 1998-99 fiscal year to be reduced by specified state interest in school lands from the sale of the Elk Hills Naval Petroleum Reserve and would make technical, nonsubstantive changes in that provision.

Existing law requires revenues from school lands at Elk Hills Naval Petroleum Reserve to be deposited in the School Land Bank Fund and interest earnings to be transmitted to the Teachers' Retirement Fund for distribution by the Supplemental Benefit Maintenance Account.

This bill would require those revenues to be deposited in the Supplemental Benefit Maintenance Account.

Existing law provides that the proceeds of the Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments to retired members, disabled members, and beneficiaries to restore purchasing power up to 68.2% of the purchasing power of their initial monthly allowances and requires the Teachers' Retirement Board to make annual transfers from the Teachers' Retirement Fund to the Supplemental Benefit Maintenance Account to fund that benefit.

This bill would increase that percentage to 75% of purchasing power, would authorize the board to make retirement fund transfers that are necessary to fund the increased percentage, would authorize the board to increase employer contributions, and would provide that the board reserves the right to reduce distributions to a level below 75% or to terminate distributions, depending upon availability of funds.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. This act may be known and cited as the Mrs. Ruth Q. de Prida Pension Protection Act.

SEC. 2. Section 22951.5 is added to the Education Code, to read:

22951.5. In addition to any other contributions required by this part, if the board determines that the Supplemental Benefit Maintenance Account will not have sufficient funds to make the maximum payment pursuant to Section 24417, the board may increase the employer contribution rate as provided in Section 24416.

SEC. 3. Section 22954.5 is added to the Education Code to read:

22954.5. For the 1998–99 fiscal year, the contributions required by Section 22954 shall be reduced by the total value of the state's interest in the school lands from the sale of the Elk Hills Naval Petroleum Reserve. That sale is expected in February 1998.

SEC. 4. Section 24411.5 of the Education Code is repealed.

SEC. 5. Section 24413 of the Education Code is amended to read:

24413. Notwithstanding Section 24412, revenues from school lands or lieu lands related to the claim of the State of California to the school lands within the area referred to as the Elk Hills Naval Petroleum Reserve, shall be deposited in the Supplemental Benefit Maintenance Account.

SEC. 6. Section 24415 of the Education Code is amended to read:

24415. (a) The proceeds of the Supplemental Benefit Maintenance Account shall, except as otherwise provided by Section 24414, be distributed annually in quarterly supplemental payments commencing on September 1, 1990, to retired members, disabled members, and beneficiaries. The amount available for distribution in any fiscal year shall not exceed the amount necessary to restore purchasing power up to 75 percent of the purchasing power of the initial monthly allowance after the application of all allowance increases authorized by this part, including those specified in Section 24412.

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries whose allowances, after sequentially applying the annual improvement factor as defined in Sections 22140 and 22141, and the annual supplemental payment as defined in Section 24412, have the lowest

purchasing power percentage. The purchasing power calculation for each individual shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of retirement and June of the fiscal year preceding the fiscal year of distribution. In any year in which the purchasing power of the allowances of all retired members, disabled members, and beneficiaries equals not less than 75 percent and additional funds remain from the allocation authorized by this section, those funds shall remain in the Supplemental Benefit Maintenance Account for allocation in future years.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) The benefits provided by subdivision (b) are not cumulative, not part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

(e) The adjustments authorized by this section are not vested and shall not be included in the base allowance for purposes of calculating the annual improvement defined by Sections 22140 and 22141.

SEC. 7. Section 24416 is added to the Education Code, to read:

24416. (a) Beginning in the 1997–98 fiscal year, if the board determines by June 30 of the then current fiscal year that the Supplemental Benefit Maintenance Account will not have sufficient funds to provide purchasing power of up to 75 percent for the subsequent fiscal year, the board, for that year, may do either, or a combination of the following:

(1) Increase the employer contribution rate commencing in the next fiscal year by an amount that would provide sufficient funds for no more than the estimated difference between the funds in the Supplemental Benefit Maintenance Account and the amount needed to pay the benefit level specified by the board, provided the benefit level is no more than 75 percent. Notwithstanding any other provision of this part, the increase in the employer contribution rate shall only become operative if the increase is approved or authorized in the Budget Act.

(2) Reduce the supplemental benefit payment for the subsequent fiscal year to the amount which can be funded by the available funds in the Supplemental Benefit Maintenance Account.

(b) If the board finds that there is no unfunded obligation, as determined by the board's professional consulting actuary and affirmed by the Director of Finance, then in addition to the authority pursuant to subdivision (a), the board may transfer to an auxiliary Supplemental Benefit Maintenance Account, from any funds that are in excess of the amount needed to fund fully the benefits for which the Teachers' Retirement Fund is liable, an amount that would

provide sufficient funds for no more than the estimated difference between the funds in the Supplemental Benefit Maintenance Account and the amount needed to pay the benefit level specified by the board, provided the benefit level is no more than 75 percent.

(c) If the board increases the employer contribution rate pursuant to paragraph (1) of subdivision (a), the increase between the current fiscal year contribution rate and the contribution rate in the next fiscal year, shall not exceed one-quarter of 1 percent of the creditable compensation upon which contributions are based.

SEC. 8. Section 24417 is added to the Education Code, to read:

24417. (a) The proceeds of an auxiliary Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments, commencing when funds in the Supplemental Benefit Maintenance Account are insufficient to support 75 percent, to retired members, disabled members, and beneficiaries. The amount available for distribution in any fiscal year shall not exceed the amount necessary to restore purchasing power up to 75 percent of the purchasing power of the initial monthly allowance after the application of all allowance increases authorized by this part, including those specified in Section 24412 and Section 24415.

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries whose allowances, after sequentially applying the annual improvement factor as defined in Sections 22140 and 22141, and the annual supplemental payment as defined in Section 24412 and Section 24415, have the lowest purchasing power percentage. The purchasing power calculation for each individual shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of benefit effective date and June of the fiscal year preceding the fiscal year of distribution.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) The benefits provided by subdivision (b) are not cumulative, nor part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit Maintenance Account and the auxiliary Supplemental Benefit Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

(e) The distributions authorized by this section are not vested and shall not be included in the base allowance for purposes of calculating the annual improvement defined by Section 22140 and 22141.

SEC. 9. It is the intent of the Legislature that no General Fund revenue, in excess of the funds specified in Section 22954, be transferred to the Supplemental Benefit Maintenance Account for the purpose of providing supplemental benefit payments.

It is further the intent of the Legislature that all payments from the Supplemental Benefit Maintenance Account include a notification that the payments from the account are not vested and may be reduced or terminated in the next year. The notification shall also indicate that no assumption should be made that payments from this account will continue.

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